

## ECONOMIC IMPACTS OF THE MILITARY BASES IN WASHINGTON

July 2004

## Military Bases in Kitsap County

*Prepared by: Dr. Paul Sommers*

Kitsap County is home to Naval Base Kitsap (the Bremerton naval station and the Bangor submarine base), Puget Sound Naval Shipyard, and, the Keyport Undersea Warfare Center. About 54 percent of all economic activity in Kitsap County is directly and indirectly linked to the personnel and procurements at these bases.

### Direct Impacts

The direct impacts of this base include employment, payrolls, retiree pension, payments to private health care providers, and purchases of goods and services from local vendors. These impacts are shown in Table 1. On base employment of 27,375 constitutes about 36 percent of total employment in Kitsap County. The annual payroll earned by these civilian and military workers is \$1.0014 billion, 30.9 percent of countywide labor earnings. The Navy operates a hospital in Bremerton, but in addition it contracts with private sector providers for additional health care services for its personnel, employees, retirees, and their direct family members living in the area. Contracts for health care services amount to \$18.6 million annually. Military retiree pensions are administered through the bases, and many retirees live in counties near the base administering their pension so that they can take advantage of on-base services such as overseas travel or access to commissaries. Pensions administered by the Navy facilities in Kitsap County sum to \$253.9 million annually. Contracts let by the bases for a variety of goods, services, and on-base construction total \$115.3 million. Active duty personnel, military retirees, and their spouses and dependents are eligible to use the on-base retail facilities provided by commissaries and base exchanges. Spending at these facilities does not impact the state economy in any way unless the goods are provided by in-state vendors (captured in the contracts data). Therefore, the payroll and pension amounts are reduced by the \$54.3 million spent at the commissary/base exchanges in Kitsap County to calculate net direct impact as shown in Table 1. This net direct impact sums to nearly \$1.335 billion.

### 1 – Direct Impacts of Major Military Bases in Kitsap County, 2003

|                                       |                  |
|---------------------------------------|------------------|
| Employment, uniformed and civilian    | 27,375           |
| Payroll                               | \$1.0014 billion |
| Military retiree pensions             | \$253.9 million  |
| TriCare payments to private providers | \$18.6 million   |
| Contracts for goods and services      | \$115.3 million  |
| On-base retail spending               | \$54.3 million   |
| Net direct impact*                    | \$1.335 billion  |

\* Reduced by on-base retail spending

In addition, the federal government compensates school districts for schooling the dependents of federal employees including service personnel. School districts in Kitsap County receive \$13.870 million annually in impact aid for schooling of the dependents of military personnel.

### Multiplier Impacts

When military related payrolls get spent within the county or state, and when the base lets contracts to businesses in the county or state, these expenditures have multiplier or indirect impacts that generate additional economic activity. These multiplier impacts are estimated using a new input-output model just released by the Office of Financial Management, resulting in total impact estimates (the sum of direct impacts and the multiplier impact). The bases in Kitsap County directly and indirectly account for nearly 47,000 jobs in Kitsap County and over 53,800 statewide. The total impacts in terms of labor earnings sum to \$1.756 billion within Kitsap County (about 8.9 percent of wage disbursements in this county) and \$2.014 billion statewide.

### 2 – Total Impacts of the Major Bases in Kitsap County

|                                 |                 |
|---------------------------------|-----------------|
| Employment in Kitsap County     | 46,935          |
| Statewide employment            | 53,835          |
| Labor earnings in Kitsap County | \$1.756 billion |
| Statewide labor earnings        | \$2.014 billion |